

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY CAIRO PRIORITY

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E.O. 11652: N/A

TAGS: OSCI, EAID, TGEN, EG, ABUD

SUBJECT: EXCESS CURRENCY PROJECTIONS FOR EGYPT

REF: CAIRO 15361

FOR AMBASSADOR FROM A/BF/FC WHITENER

1. OMB AND TREASURY HAVE REQUESTED THAT WE ATTEMPT DEVELOPMENT OF A GOVERNMENT-WIDE FINANCIAL PLAN TO CONTROL WITHIN AVAILABILITIES FUTURE OBLIGATIONS AND EXPENDITURES OF EGYPTIAN POUNDS FOR SPECIAL FOREIGN CURRENCY, AND NON-APPROPRIATED ASSISTANCE, PROGRAMS. WE EXPECT TO CONVENE AN INTERAGENCY MEETING SHORTLY AT WHICH WE SHALL REQUEST THE INFORMATION WE SHALL NEED, INCLUDING ACTUAL OBLIGATIONS, EXPENDITURES AND OBLIGATED BALANCES BROUGHT FORWARD FROM PRIOR FISCAL YEARS, AND ESTIMATES OF THE SAME FOR THE CURRENT AND FUTURE YEARS. WE SHALL ALSO

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BE ASKING FOR OBLIGATED BALANCES AT THE START OF THE CURRENT YEAR, PLUS ADDITIONAL INFORMATION REQUESTED BY OMB AND TREASURY.

2. IN RESPONSE TO YOUR REQUEST FOR CLARIFICATION OF POINTS DISCUSSED IN PARAGRAPHS 2A THROUGH D OF REFTEL, WE OFFER THE FOLLOWING RESPECTIVE COMMENTS:

A. BEGINNING FY 1978 BALANCE OF 173.4 MILLION DOLLARS EQUIVALENT TO 121.4 MILLION LE REPRESENTS ONLY AMOUNTS AVAILABLE WITHOUT RESTRICTION IN TREASURY SALE ACCOUNTS FOR DOLLAR-APPROPRIATED U.S. USES. BALANCES OF 34.3 MILLION DOLLARS EQUIVALENT TO 24.0 MILLION LE AVAILABLE IN AID FOREIGN CURRENCY ACCOUNTS AND RESTRICTED FOR AMERICAN SCHOOLS AND HOSPITALS ABROAD, AND FOR ECONOMIC ASSISTANCE GRANTS, WITHOUT DOLLAR APPROPRIATION WERE EXCLUDED FROM OUR PROJECTION.

B. WE CANNOT RECONCILE YOUR P.L. 480 LOAN REPAYMENT RECEIPT FIGURES WITH THOSE IN OUR PROJECTION, WHICH WERE DERIVED FROM THE AID COMPUTERIZED PROJECTIONS OF COLLECTIONS AS OF SEPTEMBER 1977. THE AID PROJECTION HAS OMB AND TREASURY ACCEPTANCE, AND WE MUST USE IT IN OUR PLANNING EFFORTS UNLESS WE CAN DEMONSTRATE ERROR. OUR PROJECTION REFLECTS DOLLAR EQUIVALENTS FOR ACTUAL POUND RECEIPTS FROM P.L. 480 LOANS FOR FISCAL YEARS 1975, 1976, AND 1977 AS 75.0, 21.9, AND 15.5 RESPECTIVELY. THE AID PROJECTIONS FOR 1979 OF RECEIPTS AMOUNTING TO THE EQUIVALENT OF DOLLARS 15.0 MILLION FROM P.L. 480 LOAN REPAYMENTS APPEARS MORE CONSISTENT WITH THE DOLLARS 15.5 MILLION REPORTED AS ACTUAL BY THE TREASURY DEPARTMENT FOR 1977 THAN THE DOLLARS 18.6 MILLION EQUIVALENT TO LE 13.0 MILLION WHICH EMBASSY RECORDS INDICATE FOR FY 1979,
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PARTICULARLY IN VIEW OF THE IMPACT OF THE EGYPTIAN POUND DEVALUATION. AID HAS ADJUSTED ITS PROJECTED RECEIPTS TO COMPENSATE FOR THE EFFECTS OF THE 1977 DEVALUATION OF THE POUND.

C. PLANNED USE MUST BE ACCOMPLISHED PRIMARILY WITH OBLIGATIONS RATHER THAN EXPENDITURES, SINCE ONLY OBLIGATIONS CAN BE FULLY CONTROLLED. WE WILL NOT HAVE OBLIGATION INFORMATION BY SPECIAL APPROPRIATION FOR FISCAL YEARS PRIOR TO 1978 UNTIL WE RECEIVE STATEMENTS BEING REQUESTED FROM EACH USING AGENCY. WE WILL HAVE NEITHER OBLIGATION NOR EXPENDITURE REQUIREMENTS FOR FISCAL YEARS AFTER 1977 FOR SPECIAL FOREIGN CURRENCY PROGRAMS UNTIL WE RECEIVE PROJECTIONS TO BE REQUESTED FROM EACH AGENCY. THE 40 PERCENT PROJECTED INCREASE IN EXPENDITURES IN 1978 IS BASED UPON TOTAL EXPENDITURES, AND IS NOT APPLICABLE TO EACH APPROPRIATION. THE ACTUAL EXPENDITURES FOR APPROPRIATED USES IN FY 1977 WERE, IN THOUSANDS OF U.S. DOLLARS, 30,094, OF WHICH 11,115 WERE EXPENDED BY REGULAR AGENCY DOLLAR APPROPRIATIONS AND 18,979 FOR SPECIAL FOREIGN CURRENCY PROGRAM APPROPRIATIONS. THE USG ACCOUNTING SYSTEM DOES NOT ACCUMULATE CENTRALLY A BREAKDOWN OF THE

EXPENDITURES FOR REGULAR AGENCY DOLLAR APPROPRIATIONS,

WHICH IN ANY EVENT ARE NOT SUBJECT TO CONTROL OF EXCESS CURRENCY USAGE. EXPENDITURES FOR SPECIAL PROGRAMS IN THOUSANDS OF U.S. DOLLARS EQUIVALENT WERE AS FOLLOWS:

LIBRARY OF CONGRESS	440
USDA:SEA	1,677
USDA:FAS	136
COMMERCE	94
INTERIOR	6
STATE:FBO	3,950
SMITHSONIAN	1,787
NSF	1,606
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USIA	590
EPA	1,116
HEW:O/E	707
HEW:SRS/RSA	1,379
HEW:OIH	3,711
DEFENSE	1,776
COMMERCE:NBS	4
TOTAL	18,979

D. (1) U.S.-OWNED FOREIGN CURRENCIES CAN BE RESTRICTED TO SPECIFIC USES ONLY BY THE TERMS OF INTERNATIONAL AGREEMENTS OR BY ADMINISTRATIVE DETERMINATION. EXAMPLES INCLUDE FUNDS FOR EMERGENCY RELIEF, LOANS TO BUSINESS FIRMS, LOANS AND GRANTS FOR ECONOMIC DEVELOPMENT AND OTHER USES AUTHORIZED BY SECTION 104(C) THROUGH (K) OF P.L. 480. OTHER EXAMPLES ARE AMERICAN SCHOOLS AND HOSPITALS ABROAD UNDER THE FOREIGN ASSISTANCE ACT, AND EXPENSES OF CONGRESSIONAL TRAVEL. IN GENERAL, HOWEVER, CURRENCIES CANNOT BE RESTRICTED FOR SPECIFIC U.S. AGENCY PROGRAMS FINANCED BY APPROPRIATION INCLUDING THOSE AUTHORIZED BY SECTIONS 104(A) AND (B) OF P.L. 480. INSTEAD, UNRESTRICTED CURRENCIES ARE AVAILABLE FOR EXPENDITURE ON A FIRST-COME FIRST-SERVE BASIS.

(2) UNRESTRICTED FOREIGN CURRENCY BALANCES ARE ALWAYS AVAILABLE ON A FIRST-PRIORITY BASIS TO MEET THE NEEDS OF PROGRAMS AND ACTIVITIES FINANCED FROM REGULAR AGENCY DOLLAR APPROPRIATIONS. OBLIGATIONS MAY BE INCURRED FOR ACTIVITIES FINANCED UNDER SPECIAL FOREIGN CURRENCY PROGRAM APPROPRIATIONS ONLY FOR PAYMENT IN CURRENCIES OF COUNTRIES CURRENTLY DESIGNATED AS "EXCESS" BY THE TREASURY; ONCE THE OBLIGATIONS ARE INCURRED, THE CURRENCY MAY CONTINUE TO BE EXPENDED IN YEARS FOLLOWING THE DROPPING OF THE "EXCESS" LIMITED OFFICIAL USE

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DESIGNATION TO LIQUIDATE THE OBLIGATIONS. OF COURSE, OBLIGATIONS MAY BE INCURRED ONLY WITHIN THE CURRENTLY AVAILABLE AMOUNTS OF EXISTING APPROPRIATIONS.

(3) FBO REQUIREMENTS IN EXCESS CURRENCY COUNTRIES ARE APPROPRIATED AS A SPECIAL FOREIGN CURRENCY PROGRAM APPROPRIATION. THE ONLY MEANS OF "EARMARKING" LOCAL CURRENCIES FOR USE AFTER DISCONTINUANCE OF THE EXCESS DESIGNATION IS THE OBLIGATION OF THE FUNDS WHILE THE CURRENCIES ARE DESIGNATED EXCESS. ONCE THE DESIGNATION IS DROPPED, NEW OBLIGATIONS CAN BE INCURRED ONLY AGAINST FBO'S REGULAR DOLLAR APPROPRIATION WHERE PROGRAM REQUIREMENTS FOR ANY ONE COUNTRY MUST COMPETE WITH DEMANDS FOR ALL COUNTRIES EXCEPTING THOSE DESIGNATED EXCESS. IF WE ARE SUCCESSFUL IN DEVELOPING A FINANCIAL PLAN TO CONTROL USAGE OF EGYPTIAN POUNDS UNDER SPECIAL APPROPRIATIONS AND FOR NON-APPROPRIATED ASSISTANCE, THE PLAN SHOULD ASSURE FOR EACH SUCH USE THE AVAILABILITY OF SPECIFIED AMOUNTS FOR OBLIGATION OVER THE PERIOD FOR WHICH THE EXCESS DESIGNATION IS MAINTAINED.

HOWEVER, A CONTROL PLAN MUST HAVE THE ACCEPTANCE OF ALL USING AGENCIES, OBTAINABLE ONLY IF THE DISTRIBUTION OF AVAILABLE FUNDS AMONG COMPETING REQUIREMENTS IS REASONABLY EQUITABLE. REQUIREMENTS FOR AUC IF PROPOSED FOR APPROPRIATION UNDER THE AUTHORITY OF SECTION 214(D) OF THE FOREIGN ASSISTANCE ACT WOULD ALSO HAVE TO BE OBLIGATED WITHIN CURRENT BUDGETARY PROVISIONS DURING THE PERIOD OF THE EXCESS DESIGNATION. CHRISTOPHER

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